



Prepared by:

Robert H. Curtis and Jason Hackworth

(from the results of a study completed by the Consulting Group, Milan)

Agricultural Trade Office

U.S. Consulate, Milan

Date: 9-Sep-1998

GAIN Report #IT8725

Market Brief - Sector

Greece: Hotel, Restaurant and Institution Industry

This report was prepared by the USDA's Foreign Agricultural Service for U.S. exporters of food and agricultural products. This information is in the public domain and may be reprinted without permission. Use of commercial or trade names does not imply approval nor constitute endorsement by USDA/FAS.

Milan, Italy [IT]

Greece: A Country Review

Greece has a population 10.5 million people, half are concentrated in and around 10 major cities. Greater Athens accounts for 30% of the country's population.

The main economic sector is tourism, with approximately 9.5 million tourists visiting the country each year. One in five tourists are German. Most of the rest of the tourists are from other EU member countries, e.g., the United Kingdom, Italy, France, or the United States. On the average, tourists spend US\$180 a day person while in Greece.

The outstanding geographic characteristics are mountains and islands; over 400 islands account for 20% of the country's total surface area. Geography plays a role in limiting or defining transportation and distribution within the country. The transportation networks are mediocre at best: an outdated railway system, an under-developed highway system, and crowded airports. However, to upgrade the current transportation system, new airports are being built and new highways are being planned.

The eating habits of the native population and tourists are influenced by the Mediterranean climate, as well as the work day structure. A normal work day starts at 7 AM and ends around 3 PM. This has led to a decline in lunches and a rise in snacks, which is also characterized by the urbanization of Greece. Dinner is the main meal.

The cuisine is strongly ethnic, with items such as olive oil, black olives, local vegetables, fresh fruits, pastas, and yogurts appearing at nearly every meal. Typical Greek dishes such as souvlaki, moussaka, gro me pita, and tsatsili provide Greece its own culinary identity.

The Greek Food Service Industry

The Greek food service industry is broken down into two sectors, the **commercial restaurant sector** and the **institutional sector**. The commercial restaurant sector is by far the stronger of the two, containing 80% of the entire food service market. The basic organization or structure of the Greek workday hurts the institutional sector greatly. There is no long noon hour break and most workers finish their day at 3:00 P.M and head home.

The entire Greek food service market contained 24,500 outlets in 1997, of which 775 million transactions occurred with US\$5.21 billion dollars in sales. Around 12% of these transactions occurred in restaurant chains. The average check for the total Greek food service market is only US\$6.73 per person.

I. The Commercial Restaurant Sector

The commercial restaurant sector, the stronger of the two food service sectors in Greece, offers many market opportunities for U.S. exporters. Over 610 million transactions took place in 1997, earning US\$5 billion in sales and spent US\$2 billion in food purchases. Most purchases are for locally produced products. However, opportunities do exist for U.S. fresh or prepared products that fit into the Greek Mediterranean diet.

A. Family Restaurants

This sector accounts for around 80% of the meals served in the commercial food service sector. Approximately 20,000 restaurants were in existence in 1996, with 31% represented as souvlaki shops, 51% in tavernas and table service restaurants, 11% in pizzerias, and the rest are fast food restaurants. In 1996, the sector recorded 490 million transactions, amounting to US\$3.71 billion in sales. The fast food market, if souvlaki shops are included, account for 30% of this, tavernas account for 60%.

Tavernas: The taverna is a main feature of Greek culture, found in towns with at least a thousand people. Tavernas provide a friendly atmosphere in which Greek people have dinner with friends and relatives. Tavernas offer traditional dishes which take too much time and effort to prepare in the home. This has developed into a pseudo-dependence on tavernas for many Greek cultural dishes that were once prepared in the home.

The basic features of the Greek taverna are simple service, a terrace dining area, a small menu consisting of local dishes, seasonal cooking, few desserts, wine by the jug, and a price range of US\$8.52 to US\$17.04 a person. Some tavernas specialize in a specific food, such as psistarias, which specializes in roasted meats. Many restaurants are starting to offer home delivery, as well. Tavernas also cater to many tourists, especially in the summer months, where seating capacity is increased by 30% to accommodate the added customers.

Restaurants: All restaurants are run by independent owners, fast food establishments being the only exception. Fast food and some pizzerias are represented in chains. The fast food chains are an America inspired phenomenon, characterized by speedy service, low price, and standardized quality. This implies counter service, a limited menu, disposable packaging to expedite finger-eating, high-quality equipment to reduce training and skill requirements for employees, a dining area with a large seat rotation, and location in an urban area. In 1996, the chain market included 360 establishments as part of 20 chains, serving a total of 67 million meals, and achieved sales in excess of US\$315 million. Chains captured less than 2% of all establishments, 14% of all transactions, and almost 9% in terms of sales.

The top chain in Greece is by far Goody's, with 28% of all establishments and 46% of all market sales. Other top chains include McDonald's, Hambo, Roma Pizza, Pizza Hut, Wendy's, Everest, Corner, Grigoris, and Neon. Of all chains, hamburger-based outlets make up 75% of the market, with the remaining made up by pizza establishments, chicken-based outlets, and other ethnic food operations.

The future of the chain market in Greece looks good, with urbanization growing. In the last decade, the chain market multiplied by six, and at least that is expected for the next decade. Fast food is quickly becoming an integral part of Greek life, and new chains are entering the market, such as theme-based places like Planet Hollywood and The Hard Rock Cafe. Home delivery is also set for expansion because of the cultural trend in homes with families wanting to spend less time in the kitchen. Pizza outlets are the front runners in the home delivery market.

The creation of more family restaurants, as well as ethnic food restaurants like Chinese and Japanese restaurants can help to differentiate from the fast food establishments in urban areas. Also, a switch toward ethnic foods helps exporters, including the U.S. The Olympic Games in 2004 will only add to this, as well as bring a large wave of consumers.

Hotel Restaurants

This sector includes establishments that offer overnight accommodations and at least breakfast. In 1996, this sector accounted for 14% of meals served with 88 million and 19% of sales with US\$937 million. Of course, all information regards only legal establishments. The underground economy has had a strong hold on this sector until recently, and now the Greek government is trying to size up the problem.

In 1996 there were 7916 hotels with almost 572,000 beds available. This market is growing in numbers, both in establishments and beds. From 1995 to 1996, it gained 150 establishments and 14,000 beds, amounting to an increase in 3%. The average size of an establishment is 72 beds. A total of 50 million nights were spent in hotels, with tourists making up 63% of those, followed by business people.

All hotels are independently run, with many contracted by chains, such as Best Western, Sheraton, Hilton, Intercontinental, Marriot, Holiday Inn, etc. Also, there are local groups, usually with seven or less hotels. These include Grecotel SA, Amalia, Caravel - Divani, Airotel, Astir, Electra, and others. These local groups hold about 6% of the market share and earned 10% of the total value.

The future of the hotel sector looks stable, with independent run hotels still dominating the sector. Greece lacks 2 and 3 star hotels, so the introduction of more of these economically priced establishments should cause the market to rise. More American firms, such as Hyatt, are also looking to enter the market; however these hotels are of the four and five star category.

Transportation Restaurants

The transportation sector is a diverse collection of establishments that provide food in the four markets: air, rail, road, and sea. The air market includes airport and in-flight food service. The rail market is made up of train station and on-train food service. The road market includes road-side service. The sea market includes food service on cruise ships and ferry boats. The entire transportation sector accounted for 5% of the commercial food service market in both transactions and value.

The breakdown of the sector by the four specialized markets has the most meals served in the air sector with 13.5 million, followed by the sea sector with 12 million, then the road sector with 4 million and the rail sector with 3 million.

Air Service: The airport food service section of the air sector covers meals and snacks sold to the general public in airport terminals. There are 37 airports in Greece accommodating 26.5 million passengers. Fifteen of these airports handled at least 200,000 passengers each. A total of 5 million transactions took place, amounting in US\$21 million in sales. The standard of service is fairly poor, with a limited variety of outlets available, usually coffee and snack bars. Only three airports have restaurants. Olympic Catering holds a monopoly on this sector. The future of this sector is stable, with a new airport planned for March 2001, as well as regional airport renovations. The tourist flow is expected to rise, especially with the upcoming Olympic Games.

The in-flight food service section covers meals produced for flights departing Greek airports. The number of departing passengers in 1996 was close to 13 million. There were 8.5 million

transactions earning US\$51 million in this sector. Four caterers share 90% of this market, with Olympic Catering again in the lead. The growth of in-flight meals is expected to continue with added tourism and the Olympics.

Train Food Service: The train station section of the rail sector covers meals served at railway station platforms and concourses. There are approximately 50 train stations in Greece, but not all of them offer food service. A total of 12.8 million train passengers were recorded in 1996. This sector has seen a loss of passengers due to the increase in air traffic. The railway system has been deficient for some time, and the government does not seem to be interested in fixing it. A total of 2 million transactions occurred, amounting in US\$7.7 million in sales. Available outlets are limited to sandwich and snacks stands, operated by independent owners under the supervision of Hellenic Railways Organization. Small restaurants in close proximity to stations compete with these snack stands. Even with government apathy towards the railways, the Olympics Games will spur some work. Overall though, the sector looks bleak.

Even smaller is the on-train sector, which is limited by the relatively small number of passengers due to other means of transportation, the short average trip of only 170 kilometers, the mainly young passengers with little buying power, and the packed meals of some family passengers. 1 million transactions occurred equaling US\$7.2 million. Only small mini-bars and rolling trolleys are available, with select trains including restaurant cars. No major evolution is foreseen in this sector. Overall, the rail system is hampered by the geography of Greece, with many islands.

Highways: This sector covers road side food service on major highways. Because of the Greek geographic conditions the development of highways has been quite limited. In 1996, over 5.3 million vehicles used toll roads with around 4 million transactions amounting to US\$29.8 million at the 30 highway food service stations available.

Ocean Cruise Liners: The cruise line food service section includes food service on cruise liners operating from Greek ports. In 1996, there were an estimated 570,000 passengers on cruise ships, making up 5% of the total tourists that year. Approximately 50 cruise liners operated by 20 companies are available from April to November. Cruises last from 1 to 14 days. In 1996, over 5 million transactions took place amounting to US\$77 million. The food services are provided by the cruise liners themselves. The sector should remain stable, but with minimal growth.

In 1996, 880,000 passengers used the 2,000 ferry boats. However, only 350 offer food services and accounted for US\$ 46.8 million in sales. Food service is provided by the ferry lines. The sector is expanding despite fierce competition from air transportation.

II. The Institutional Food Sector

The institutional sector had 164 million transactions in 1997, earning US\$330 million in sales. The average check at an institutional outlet was only US\$2.00.

A. Company cafeterias:

Typically companies are small and family run, this combined with the morning oriented work day results in a low demand for company supported cafeterias. This refers primarily to meals served to employees in manufacturing industries, commerce, service industries, and the

government. This does not include employees of commercial food service establishments. Company cafeterias resulted in about 7% of the Institutional sector's sales or 12 million transactions valued at US\$ 20 million. A little over 2 million transactions are attributed to contracted caterers; earning US\$4.26 million. Intertaste is the leading caterer, earning over half of the sales in 1996.

The manufacturing industries include mine and quarry workers, factory employees, construction/public works operators, and utilities workers. A total of 890,000 people worked in this sector in 1997. Of these, only 1% are found in groups of more than 50 employees in one establishment.

Restructuring in many large companies is also decreasing the number of these larger establishments.

The services sector includes transport, storage, and communications workers, employees of banks and insurance companies, and other services. In 1996, a total of 1.9 million people were employed in this sector. All sectors have reported increases in employees, especially financial institutions. The vast majority of these companies are small and family operated and don't offer food services.

The government employee sector includes employment units involved in central and local government at all levels. This includes all public administration departments, such as local authority town halls, fire, police, etc. In 1996, approximately 230,000 people were employed in the government sector. This is an increase from 190,000 people in the early eighties. Only a small number of government establishments have food services, but most have a snack outlet, selling sandwiches and drinks. These snack outlets are usually run by independent operators.

Future trends are promising. Catering companies are adapting quickly to this way of business. Many offer food and snack delivery services to those companies not offering food service; the lack of choice and lesser quality is hurting this market. New opportunities are arising with the large construction projects accompanying the preparation of Athens for the Olympic Games in 2004. For example, a catering service is now producing 1000 meals and snacks for the work crew building the future airport in Sparta.

B. Educational catering

The education sector makes up approximately 8% of the Institutional food services sector. This sector includes nursery schools, primary schools, secondary schools, and colleges and universities. Nearly 12.5 million transactions occurred in 1996, generating US\$21.3 million in sales.

Nursery Schools: The nursery schools sector covers food service for children of pre-school age (under 6 years of age). In this sector there were 5,598 establishments in 1996, caring for 127,100 children, with 8,400 teachers. Over 4 million transactions occurred, generating US\$4.26 million. The small number of nursery schools is attributed to the strong family ties developed in Greek families. Also, many children bring lunches from home and purchase small valued items. Contracted caterers do not play a large role in this sector. Both an increase in the number of women in the working class and the growth in the number of children attending school (up 4%) should help the nursery school sector.

Primary Schools: This sector covers food service for those children in primary education, ages 6 to 12. In 1996, there were 7,075 establishments with 673,400 pupils and 40,100 teachers. However, only half a million meals were purchased, generating US\$ 852,000. As a general rule, primary schools do not serve meals, children eat at home with their families after classes. However, most schools do have snack and sandwich stands. These small stands are managed in-house or by small local operators. The future of this sector does not look especially promising, while the creation of cafeterias in schools is possible, it is not likely in the next few years.

Secondary Schools: This sector covers children ages 12 to 16, depending on graduation levels. These include general, technical, vocational, and ecclesiastic secondary education students. In 1996, there were 3,809 establishments with 858,500 pupils and 66,200 teachers. Nearly 1 million transactions took place, generating US\$1.704 million. Like primary schools, this segment does not usually serve meals, students taking lunch at home after classes. Most of these schools include the snack stands as well. Almost 20% of food service in this sector is attributed to contracted caterers, that concentrate on international schools, which offers greater feeding opportunities to the students and teaching staff.

Colleges and Universities: The higher education sector includes all meals produced for students and staff in universities, polytechnics schools, and other establishments of higher education. In 1996 there were 32 establishments serving 162,200 students and 16,100 teachers. On the average of 200 days of service, 7 million transactions occurred, equaling US\$10 million in value. Most colleges and universities are located away from other commercial outlets and thus have little competition for their school supported cafeterias and snack bars. Contract caterers hold less than 5% of the market.

C. Health and social services:

The health and social services sector accounts for 50% of the Institutional sector's value. It includes state hospitals and clinics, private hospitals and clinics, and homes for the elderly. Over 45 million meals were served generating US\$160 million in 1996.

The government sector of the health and social services segment accounts for all types of public hospitals and clinics. In 1996 there were a total of 139 state run hospitals with 36,700 beds available. They served 9.64 million people in 1996. The staff employees numbered 38,000. The average length of stay for a patient was 8.5 days in 1996. Over 30 million meals were served, generating US\$110 million in revenue. Contracted caterers only entered the market in 1992, and their market share is presently very small. A dozen hospitals are planned for the Athens area, as well as plans for the expansion of the health sector in other regions of the country, providing more market opportunities in this sector.

The private sector of this segment includes all types of privately owned hospitals and clinics, as well as practices. In 1996, there was a total of 219 establishments, offering 15,500 beds. They recorded 3.09 million patient days. Staff is numbered at 35,000. The average length of stay in a private sector health establishment was 10.7 days. A total of 11 million meals were served, accounting for US\$50 million. Contracted caterers are in the same scenario as with the state sector. This sector is also set for expansion, with competition between state and private health care intensifying. This could provide a great demand for good food service.

The homes for the elderly sector includes public and private homes for the elderly, generally ages 65 and up. Only 60 or so homes were estimated to be in existence in 1996. The total number of patients in the care of these homes is 3,500. Around 4 million meals were served, generating US\$10 million. No contracted caterers are involved in this sector. Forecasts show that this sector should grow in the coming years.

D. Other sectors:

The remaining sectors of the institutional segment include the Greek armed forces, penal establishments, and leisure establishments. In total, this accounts for 58% of the meals served and 37% of the revenue. A total of 94.5 million meals were served, drawing US\$120 million. The armed forces accounted for 88% of this sector, and the share of contracted caterers is less than 1%.

The armed forces sector of this segment includes food served to all regular armed forces personnel. The Ministry of Defense would not give out any numbers, but the military is estimated at 150,000 members. Required time in the military is now 18 months for members of the army, 20 months for the air force, and 22 months for the navy. Over 83 million meals were served in 1996, valued at US\$110 million. All food service is handled by the military, with the exception of a few officer dining areas handled by Intercatering. In 1996, Intercatering received US\$180,000 for 45,000 meals. With the downsizing of the military, this sector is expected to decrease in importance.

The prison sector of this segment includes all food service in prisons. In 1996, there were 9,950 prisoners in 27 prison facilities. This number has been increasing 4.5% a year since 1990. Over 11 million meals were served, valued at US\$10 million. Most meals are prepared by prisoners and supervised by prison staff. No contracted caterers are used in this sector. Prison population is expected to increase, thereby increasing the need for food inputs in this sector.

In the leisure sector, museums, tourist sights, and archeological sites are included. The number of visitors to these sights was 8.2 million in 1996. Over 500,000 meals were served, valued at US\$1.7 million. While there are many people in this sector, there are only a few food service areas offered, and this sector is expected to remain small.

III. Distribution Channels

There are five major distribution channels in the institutional food service sector.

Wholesalers.

This group is represented by small and medium size, family-run businesses. There are estimated to be 15,000 to 20,000 in operation in Greece.

Wholesalers (specializing in food supplies by ship)

Their basic role is to order and deliver in bulk. They are included with importers, due to their extra-territoriality.

Cash and Carry operators

In 1996, there were 40 C.&C. stores, generating around US\$470 million. However, only 13% of this was generated by the institutional food service sector.

Direct from the supplier.

This is a major route used in Greece, due to the small size of most producers. Many large food service businesses use this channel because it allows them to buy in bulk without intermediaries.

Retail outlets.

This plays a minor role in the distribution system for the Greek HRI industry.

For additional information on the Greek Hotel, Restaurant and Institute Industry please contact:

**Clay Hamilton
Agricultural Attache
U.S. Embassy Greece
telephone: 30-1-720-2798 or 2233
fax: 30-1-721-5264**

e-mail: HamiltonC@fas.usda.gov or Clay@fas.usda.gov